

IVINS CITY, UTAH
FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION
with
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED JUNE 30, 2006

IVINS CITY, UTAH

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FINANCIAL SECTION

Wilson & Company

Certified Public Accountants / A Professional Corporation

INDEPENDENT AUDITOR'S REPORT

The Honorable City Council

Ivins City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ivins City, Utah as of and for the year ended June 30, 2006 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ivins City, Utah as of June 30, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2006, on our consideration of Ivins City, Utah's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, as listed in the financial section of the table of contents and budgetary comparison information on page 44 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ivins City, Utah's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of Ivins City, Utah. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


WILSON & COMPANY
Certified Public Accountants

December 19, 2006
Cedar City, Utah

MANAGEMENT'S DISCUSSION AND ANALYSIS

This narrative overview and analysis of the financial activities of Ivins City is presented for readers of Ivins City's financial statements for the fiscal year ended June 30, 2006. This section is intended to be read in conjunction with the City's financial statements, which follow this section.

Financial Highlights/Executive Summary

- The assets of Ivins City exceeded its liabilities at the close of fiscal year 2006 by \$26,771,055 (net assets). Of this amount, \$1,876,224 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors (refer to table entitled IVINS CITY'S NET ASSETS).
- As of the close of the current fiscal year, Ivins City's governmental funds reported combined ending fund balances of \$1,987,607. Approximately 49% of this total amount, \$979,417 is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$979,412, or 37%, of total general fund expenditures.
- Ivins City's total liabilities increased by \$3,071,606 during the current fiscal year. The key factor for this increase was the bond for the construction of UNITY Park.
- At the end of the current fiscal year, Ivins City's general fund actual revenues exceeded general fund actual expenditures by \$311,395 before operating transfers to other funds.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to Ivins City's basic financial statements. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the City's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the City government, reporting the City's operations in more *detail* than the government-wide statements:
 - The *government funds* statements tell how *general* government services like public safety, administration, building inspection, etc. were financed in the short term as well as what remains for future spending.
 - *Proprietary fund* statements offer short and long-term financial information about the activities the government operates *like businesses*. Ivins City, utilizing two proprietary funds, manages two business activities: water and sewer.
 - *Fiduciary fund* statements provide information about funds held in trust for the benefit of individuals. Ivins City utilizes a fiduciary fund for the maintenance of the cemetery. These funds are not reflected in the government-wide financial statements because the resources of this fund are not available to support the City's own programs.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Government-wide Statements. The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's *net assets* and how they have changed. Net assets- the difference between the City's assets and liabilities- is one way to measure the city's financial health, or *position*.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To access the overall health of the City, consideration should be given to additional non-financial factors, such as changes in the City's property tax base and the condition of the City's roads.

The government-wide financial statements of the city are divided into two categories:

- *Governmental activities*-Most of the City's basic services are included here, such as public safety, public works, parks department and general administration. Property taxes, sales taxes, franchise fees and state and federal grants finance most of these activities.
- *Business-type activities*-The City charges fees to customers to help it cover the costs of services it provides. The City's water, sewer, and storm drain activities are included here.

Fund Financial Statements. The fund financial statements provide more detailed information about the City's most significant *funds* - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding (revenues) and spending (expenditures) for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes (like the City's special impact fee funds used to track collection and expenditure of certain impact fees).

The City has two kinds of funds:

- *Governmental funds*-Most of the City's basic services are included in governmental funds, which focus on (1) how *cash* and *other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary funds*-Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the City's *enterprise funds* are the same as

its business-type activities, but provide more detail and additional information, such as cash flows.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Ivins City, assets exceed liabilities by \$26,771,055 at the close of fiscal year 2006.

By far the largest portion of Ivins City's net assets (70%) reflects its investment in capital assets (e.g. land, buildings, equipment, etc.) less any related debt used to acquire those assets that is still outstanding. Ivins City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Ivins City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Percentages of Net Assets

Net Assets	Government Activity	Business-type Activity	Total
Invested in capital assets, net of related debt	0.8158	0.6242	0.6976
Restricted net assets	0.1871	0.2954	0.2539
Unrestricted net assets	-0.0029	0.0804	0.0485
Total net assets	1.0000	1.0000	1.0000
Invested in capital assets, net of related debt	\$8,373,560	\$10,302,306	\$18,675,866
Restricted net assets	\$1,342,116	\$4,876,849	\$6,797,120
Unrestricted net assets	\$548,370	\$1,327,854	\$1,298,069
Total net assets	\$10,264,046	\$16,507,009	\$26,771,055

Ivins City's Net Assets

	Governmental Activities		Business-type Activities	
	6/30/2005	6/30/2006	6/30/2005	6/30/2006
Current and other assets	\$ 3,134,649	\$ 4,186,562	\$ 5,994,433	\$ 6,498,351
Capital assets	8,158,333	12,642,947	10,516,598	11,175,350
Total Assets	11,292,982	16,829,509	16,511,031	17,673,701
Long-term liabilities outstanding	1,828,000	4,269,387	1,197,126	798,646
Other liabilities	1,233,213	2,296,076	505,817	368,046
Total Liabilities	3,061,213	6,565,463	1,702,943	1,166,692
Net Assets:				
Invested in capital assets, net of debt	6,330,333	8,373,560	9,319,471	10,302,306
Restricted net assets	1,521,776	1,342,116	2,104,424	4,876,849
Unrestricted net assets	379,660	548,370	3,384,193	1,327,854
Total Net Assets	\$ 8,231,769	\$10,264,046	\$ 14,808,088	\$ 16,507,009

At the end of the current fiscal year, Ivins City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate government and business-type activities.

Governmental activities. Governmental activities increased Ivins City's net assets by \$2,032,277.

Business-type activities. Business-type activities increased Ivins City's net assets by \$1,698,920.

Ivins City's Changes in Net Assets

For the fiscal year ended June 30, 2006

	Governmental Activities		Business-type Activities		Total	Total
	2005	2006	2005	2006	2005	2006
Revenues						
Program Revenues						
Charges for services	771,480	931,842	1,662,113	1,912,451	2,433,593	2,844,293
Operating grants/transfers	177,396	271,554	-	-	177,396	271,554
Capital grants/contributions	2,136,727	2,247,014	2,094,441	2,230,074	4,231,168	4,477,088
General Revenue:						
Property taxes	516,942	660,013	-	-	516,942	660,013
General sales and use taxes	539,079	639,771	-	-	539,079	639,771
Franchise taxes	295,742	344,508	-	-	295,742	344,508
Earnings on investments	129,286	256,333	74,506	156,416	203,792	412,749
Miscellaneous	9,163	992	-	-	9,163	992
Gain (loss) on sale of assets		(220,496)	-	-	-	(220,496)
Operating Transfers	101,036	99,500	(101,036)	(99,500)	-	-
Total Revenues	4,676,851	5,231,031	3,730,024	4,199,441	8,406,875	9,430,472
Expenses:						
General government	820,143	856,897	-	-	820,143	856,897
Public safety	894,612	1,080,341	-	-	894,612	1,080,341
Highways/public improvement	869,140	624,731	-	-	869,140	624,731
Parks, recreation, public prop	294,973	357,840	-	-	294,973	357,840
Community/econ development	125,590	122,459	-	-	125,590	122,459
Interest on long-term debt	156,218	156,486	-	-	156,218	156,486
Water fund	-	-	1,368,022	1,610,800	1,368,022	1,610,800
Sewer	-	-	815,304	889,721	815,304	889,721
Total Expenses	3,160,676	3,198,754	2,183,326	2,500,521	5,344,002	5,699,275
Increase in net assets	1,516,175	2,032,277	1,546,698	1,698,920	3,062,873	3,731,197

Financial Analysis of the Government's Funds

As noted earlier, Ivins City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Government funds. The focus of Ivins City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Ivins City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Ivins City's governmental funds reported a combined ending fund balance of \$1,987,607, a decrease of \$16,447 in comparison with the prior year. A portion (\$645,491 or 33%) of the fund balance constitutes *unreserved/undesignated* fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is *reserved* and *designated for future year expenditures* (\$1,342,116 or 67%). The reserved fund balance indicates that the balance is not available for new spending because it has already been committed. In this case the balance is committed to general obligation bonds and future road projects.

The general fund is the chief operating fund of Ivins City. At the end of the current fiscal year, *unreserved/undesignated* fund balance of the general fund was \$979,412. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The unreserved fund balance represents 37% of total general fund expenditures.

Other governmental funds (includes special impact fee funds for Streets, Parks, Habitat, Public Safety, and Storm Drain) have a total fund balance of \$1,225,139 all of which is reserved for the procurement of impact fee and debt service related items.

Proprietary funds. Ivins City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets for Water and Sewer utilities at the end of the year totaled \$1,327,854. Additionally, both enterprise funds experienced increases in total net assets at the end of the year.

General Fund Budgetary Highlights

The general fund budget was amended in June 2006 to adjust for increased expenditures and revenues. Adjusted revenues include the following:

- Increased property tax due to new growth
- Increased sales and use tax
- Reduced building permits
- Increased subdivision fees
- Unbudgeted State grant
- Reduced court fines
- Increased interest earnings

- Adjustment of Municipal Building Authority budget
- Increase of parks and water impact fees

Adjusted expenditures include the following:

- Reduced outside legal counsel
- Reduced administrative salaries and expenses
- Increase to cover budget error for CEC
- Reduced finance salaries and expenses
- Reduced public safety salaries and expenses
- Reduced building inspection/code enforcement salaries and expenses
- Increase of Economic Development project costs for planning
- Increase of transfer to capital projects for future projects including road projects, maintenance building, city offices, street lighting
- Increased expenditures for Capital Facilities Plans for Roads, Water, Sewer and Storm Drain

During the year net revenues before operating transfers exceeded expenditures by \$311,395. Actual revenue exceeded estimated budgetary revenue and expenditures were less than budgetary estimates.

Capital Asset and Debt Administration

Capital assets. Ivins City's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$23,818,297 (net of accumulated depreciation). This investment in capital assets includes water stock, land, buildings, improvements, infrastructure (roads, water lines, sewer lines), autos and trucks, machinery and equipment, office and work in progress.

Ivins City's Net Capital Assets

	Governmental Activities		Business-type Activities	
	2005	2006	2005	2006
Construction in Progress	\$ -	\$ 3,426,820	\$ 63,723	\$ -
Land, easements, water rights	1,146,964	\$ 997,835	\$ 1,400,137	\$ 1,400,137
Buildings	581,180	556,541	178,129	172,218
Improvements other than bldg	322,436	300,837	-	-
Infrastructure assets	5,869,006	6,788,978	8,765,985	9,452,509
Machinery & Equipment	99,228	100,850	95,959	72,912
Automobiles & Trucks	139,519	471,086	12,665	77,574
Increase in net assets	<u>\$ 8,158,333</u>	<u>\$ 12,642,947</u>	<u>\$ 10,516,598</u>	<u>\$ 11,175,350</u>

This year's major capital asset additions included:

- 400 West and Center Street Roundabout
- Center Street Wall
- UNITY PARK – 12 acre park
- Red Rock Park
- Purchase of property for Western Corridor
- Trail head for Santa Clara River Reserve

- GIS mapping
- Water system upgrades

Long-term debt. At year-end the City had \$5,114,044 in bonds and notes outstanding—a increase of 69% over the last year—as shown in the table entitled *IVINS CITY'S OUTSTANDING DEBT*. This increase is a result of the bond for the construction of UNITY Park. More detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

General Obligation and Revenue Bonds

	Govnmtl. Activities		Business-type Activities	
	2005	2006	2005	2006
General Obligation Bond	1,828,000	1,516,000	-	-
Capital Lease	-	225,000	78,977	60,225
Revenue Bonds	-	2,500,000	1,118,149	812,819
Total	\$1,828,000	\$4,241,000	\$1,197,126	\$ 873,044

Economic Factors and Next Year's Budgets and Rates

- The Cost of Living Adjustment for FYE 2006 was 1.8% and 4.1% for FYE 2007, based upon the Bureau of Labor Statistics of the U.S. Department of Labor. In addition salary surveys were conducted and salaries for Department Heads and City Manager were adjusted to retain personnel.
- The property tax levy for calendar year 2005 was .001413 mills, a rate maintained through "Truth in Taxation" hearings from the 2004 calendar year. "Truth in Taxation" hearings were also held in August 2006 to hold the 2004 and 2005 calendar year property tax levy of .001413 mills.
- Population growth, as measured by building permit issuance, was 7.6%.
- City issued 187 building permits in fiscal year ending 6/30/06.

These indicators were taken into account when adopting the FY 2005-2006 budget.

Property Tax Rate - Since 1993 the Certified Tax Rate (property tax rate) decreased 18%. In August 2005 "Truth in Taxation" hearings were held to hold the Certified Tax Rate of 2004 at .001413. This rate is 12% less than the Certified Tax Rate in 1993.

Staffing - Salaries and benefits were surveyed throughout the state and adjoining municipalities and some adjustments made in the FYE 2006 budget and some held for adjustment in the FYE 2007 budget.

The following additions to staff were included in the FYE 2006 budget:

- 2 full-time Public Safety Officers
- 1 Public Works employee
- Part-time Code Enforcement Officer

In the forthcoming year, the City will also be required to fund several state and federal unfunded mandates that include:

- Storm Water Management Plan (SWMP): The Environmental Protection Agency (EPA) promulgated storm water regulations referred to as the National Pollution Discharge

Elimination System (NPDES). This will require the City to develop a SWMP and implement a storm water utility fee to fund the SWMP.

- **Arsenic Mandate:** The EPA requires Cities to meet newly adopted arsenic mandates of 10 parts per million by 2006. The City will work with water providers to meet these requirements.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of Ivins City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Judy Gubler, Ivins City Manager, 55 North Main, Ivins City, Utah, 84738 or via e-mail judy@ivins.com.

BASIC FINANCIAL STATEMENTS

IVINS CITY, UTAH
Statement of Net Assets
June 30, 2006

	Governmental Activities	Business Type Activities	Total
Assets:			
Current assets:			
Cash & cash equivalents	\$ 3,122,938	\$ 6,111,978	\$ 9,234,916
Accounts receivable	173,829	222,956	396,784
Property tax receivable	889,796		889,796
Due from other governmental agencies		5,233	5,233
Deferred charges		158,184	158,184
Construction in progress	3,426,820	-	3,426,820
Capital assets, net of accumulated depreciation	9,216,127	11,175,350	20,391,477
Total assets	<u>16,829,509</u>	<u>17,673,701</u>	<u>34,503,210</u>
Liabilities and Net Assets			
Liabilities :			
Cash with negative balance	338,611		338,611
Accounts payable	667,651		667,651
Accrued liabilities	70,681		70,681
Customer deposits payable	100,195		100,195
Deferred revenue	132,022		132,022
Compensated absences payable	45,710	11,428	57,138
Accrued interest payable	51,410	-	51,410
Due to other governmental agencies		282,221	282,221
Capital lease obligations payable - current	69,639	19,398	89,037
Capital lease obligations payable - long term	183,748	40,827	224,575
Deferred revenue property tax receivable	889,796		889,796
Bonds payable			
Portion due within one year	882,000	55,000	937,000
Portion due after one year	3,134,000	757,819	3,891,819
Total liabilities	<u>6,565,463</u>	<u>1,166,692</u>	<u>7,732,155</u>
Net Assets:			
Invested in capital assets, net of related debt	8,373,560	10,302,306	18,675,866
Restricted for:			
Debt service	116,977	743,743	860,720
Other purposes	1,225,139	4,133,106	5,358,245
Unrestricted	548,370	1,327,854	1,876,224
Total net assets	<u>\$ 10,264,046</u>	<u>\$ 16,507,009</u>	<u>\$ 26,771,055</u>

The notes to the financial statements are an integral part of this statement.

IVINS CITY, UTAH
Statement of Activities
Year Ended June 30, 2006

Functions	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 856,897	\$ 793,024	\$ -	\$ 75,562	\$ 11,689
Public safety	1,080,341	99,757	30,617	72,445	(877,522)
Highways & public improvements	624,731		239,390	1,646,857	1,261,516
Parks, recreation & public property	357,840	39,061		452,150	133,371
Community & economic development	122,459		1,547		(120,912)
Interest on long-term debt	156,486				(156,486)
Total governmental activities	3,198,755	931,842	271,554	2,247,014	251,655
Business-type activities:					
Water fund	1,610,800	1,214,048		1,750,781	1,354,029
Sewer fund	889,721	698,403		479,294	287,976
Total business-type activities	2,500,520	1,912,451	-	2,230,074	1,642,005
Total government	\$ 5,699,275	\$ 2,844,293	\$ 271,554	\$ 4,477,088	\$ 1,893,660

(Continued on page 13)

IVINS CITY, UTAH
Statement of Activities
Year Ended June 30, 2006

	Governmental Activities	Business-type Activities	Total
Changes in net assets			
Net (expense) revenue from previous page	\$ 251,655	\$ 1,642,005	\$ 1,893,660
General revenues:			
Taxes:			
Property taxes	660,013		660,013
General sales and use taxes	639,771		639,771
Franchise taxes	344,508		344,508
Earnings on investments	256,333	156,415	412,748
Miscellaneous	993		993
Gain (Loss) on sale of assets	(220,496)		(220,496)
Operating transfers	99,500	(99,500)	-
Total general revenues and transfers	1,780,622	56,915	1,837,537
Increase in net assets	2,032,277	1,698,920	3,731,197
Net assets - beginning	8,231,769	14,808,089	23,039,858
Net assets - ending	\$ 10,264,046	\$ 16,507,009	\$ 26,771,055

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

IVINS CITY, UTAH
Balance Sheet
Governmental Funds
June 30, 2006

	General	Debt Service	Municipal Building Authority	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash & cash equivalents	\$ 1,773,259	\$ 4,155	\$ -	\$ 1,345,524	\$ 3,122,938
Accounts receivables	41,807	132,022			173,829
Total assets	<u>\$ 1,815,066</u>	<u>\$ 136,177</u>		<u>\$ 1,345,524</u>	<u>\$ 3,296,767</u>
Liabilities:					
Cash with negative balance			218,280	120,331	338,611
Accounts payable	664,772		2,824	54	667,651
Accrued liabilities	70,681				70,681
Customer deposits	100,195				100,195
Deferred revenue		132,022			132,022
Total liabilities	<u>835,649</u>	<u>132,022</u>	<u>221,104</u>	<u>120,385</u>	<u>1,309,160</u>
Fund balances:					
Reserved	5	116,972		1,225,139	1,342,116
Unreserved, undesignated	979,412	(112,817)	(221,104)		645,491
Total fund balances	<u>979,417</u>	<u>4,155</u>	<u>(221,104)</u>	<u>1,225,139</u>	<u>1,987,607</u>
Total liabilities and fund balances	<u>\$ 1,815,066</u>	<u>\$ 136,177</u>	<u>\$ -</u>	<u>\$ 1,345,524</u>	<u>\$ 3,296,767</u>

The notes to the financial statements are an integral part of this statement.

IVINS CITY, UTAH
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2006

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balance - governmental funds	\$ 1,987,607
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$13,476,455 and the accumulated depreciation is \$4,260,328	9,216,127
Construction in progress	3,426,820
Long-term obligations	(4,366,508)
Total net assets - governmental activities	<u>\$ 10,264,046</u>

The notes to the financial statements are an integral part of this statement.

IVINS CITY, UTAH
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2006

	General	Debt Service	Municipal Building Authority	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Property taxes	\$ 660,013	\$ -	\$ -	\$ -	\$ 660,013
Sales and use taxes	639,771				639,771
Franchise taxes	344,508				344,508
Licenses and permits	452,848				452,848
Intergovernmental revenues	268,048				268,048
Charges for services	398,922				398,922
Fines and forfeitures	40,262				40,262
Interest earnings	112,719	12,181	39,764	91,669	256,333
Miscellaneous revenues	33,608	48,778		1,015,354	1,097,739
Total revenues	<u>2,950,700</u>	<u>60,959</u>	<u>39,764</u>	<u>1,107,023</u>	<u>4,158,445</u>
EXPENDITURES:					
General government	840,241	1,514		-	841,755
Public Safety	1,129,224				1,129,224
Highways & public improvements	219,183			954,867	1,174,050
Parks, Recreation & Public Property	327,499				327,499
Community & economic development	123,158		2,713,771		2,836,929
Debt service					
Principal paid		312,000			312,000
Interest paid		72,944			72,944
Total expenditures	<u>2,639,305</u>	<u>386,458</u>	<u>2,713,771</u>	<u>954,867</u>	<u>6,694,402</u>
Excess of revenues over (under) expenditures	<u>311,395</u>	<u>(325,499)</u>	<u>(2,674,008)</u>	<u>152,156</u>	<u>(2,535,957)</u>
OTHER FINANCING SOURCES (USES):					
Bond Proceeds			2,500,000		2,500,000
Bonds retired					-
Bond Issue Costs			(47,097)		(47,097)
Gain (loss) of bond refunding					-
Operating transfers in	473,409	306,635		513,070	1,293,114
Operating transfers out	(371,178)			(822,436)	(1,193,614)
Total other financing sources (uses)	<u>102,231</u>	<u>306,635</u>	<u>2,452,903</u>	<u>(309,366)</u>	<u>2,552,403</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>413,626</u>	<u>(18,864)</u>	<u>(221,104)</u>	<u>(157,210)</u>	<u>16,447</u>
FUND BALANCES JULY 1	565,791	23,019		1,382,349	1,971,159
FUND BALANCES JUNE 30	<u>\$ 979,417</u>	<u>\$ 4,155</u>	<u>\$ (221,104)</u>	<u>\$ 1,225,139</u>	<u>\$ 1,987,607</u>

The notes to the financial statements are an integral part of this statement.

IVINS CITY, UTAH
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances-total governmental funds \$ 16,447

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	3,719,096	
Depreciation expense	<u>(460,956)</u>	
		3,258,140

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Bond proceeds	(2,500,000)	
Accrued interest on bonds payable	(36,445)	
Repayment of bond principal	<u>312,000</u>	
		(2,224,445)

Contributions from developers		1,193,582
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Loss on assets sold/disposed		(220,496)
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Compensated absences		<u>9,049</u>
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Change in net assets of governmental activities		<u><u>\$ 2,032,277</u></u>
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The notes to the financial statements are an integral part of this statement.

IVINS CITY, UTAH
Statement of Net Assets
Major Proprietary Funds
June 30, 2006

	Water Utility Fund	Storm Drain & Sewer Utility Fund	Total
Assets			
Current assets:			
Cash & cash equivalents	\$ 4,028,672	\$ 2,083,306	\$ 6,111,978
Accounts receivable (net of allowance)	182,567	40,389	222,956
Due from other governmental units	-	5,233	5,233
Deferred charges		158,184	158,184
Total current assets	<u>4,211,239</u>	<u>2,287,111</u>	<u>6,498,351</u>
Long-term assets:			
Construction in progress			-
Capital assets, net of accumulated depreciation	5,890,389	5,284,961	11,175,350
Total long-term assets	<u>5,890,389</u>	<u>5,284,961</u>	<u>11,175,350</u>
Total assets	<u>10,101,629</u>	<u>7,572,072</u>	<u>17,673,701</u>
Liabilities and Net Assets			
Liabilities :			
Current liabilities:			
Compensated Absences	8,571	2,857	11,428
Accrued Interest Payable			
Due to other governmental units	282,221	-	282,221
Capital lease obligations payable due within one year		19,398	19,398
Bonds payable - Portion due within one year	13,000	42,000	55,000
Total current liabilities	<u>303,791</u>	<u>64,255</u>	<u>368,046</u>
Long-term liabilities:			
Capital lease obligations payable due after one year		40,827	40,827
Bonds payable - Portion due after one year	63,000	694,819	757,819
Total long-term liabilities	<u>63,000</u>	<u>735,646</u>	<u>798,646</u>
Total liabilities	<u>366,791</u>	<u>799,901</u>	<u>1,166,692</u>
Net assets:			
Invested in capital assets, net of related debt	5,814,389	4,487,916	10,302,306
Restricted for:			
Debt service	36,750	706,993	743,743
Other purposes	2,887,115	1,245,991	4,133,106
Unrestricted	996,584	331,270	1,327,854
Total net assets	<u>\$ 9,734,838</u>	<u>\$ 6,772,171</u>	<u>\$ 16,507,009</u>

The notes to the financial statements are an integral part of this statement.

IVINS CITY, UTAH
Statement of Revenues, Expenses and Changes in Net Assets
Major Proprietary Funds
Year Ended June 30, 2006

	Water Utility Fund	Storm Drain & Sewer Utility Fund	Total
Operating revenues:			
Charges for Services	\$ 1,140,917	\$ 698,403	\$ 1,839,319
Penalties	63,112		63,112
Miscellaneous	10,019	-	10,019
Total operating revenues	<u>1,214,048</u>	<u>698,403</u>	<u>1,912,451</u>
Operating expenses:			
Water purchased	689,368		689,368
Sewer treatment		352,909	352,909
Salaries & Wages	240,358	111,684	352,042
Employee Benefits	81,120	39,299	120,419
Operating Supplies and Materials	79,019	28,355	107,374
Professional and Technical services	32,335	60,102	92,437
Bad Debt Expense	1,146	100	1,247
Conferences & Travel	5,393	1,349	6,742
Insurance	4,150	3,906	8,056
Miscellaneous		41,068	41,068
Utilities	5,682	1,210	6,892
Repairs and maintenance	151,275		151,275
Depreciation	320,953	198,430	519,383
Total operating expenses	<u>1,610,800</u>	<u>838,412</u>	<u>2,449,211</u>
Operating income (loss)	(396,752)	(140,010)	(536,760)
Nonoperating income (expense):			
Interest Revenue	94,840	61,576	156,415
Impact Fees	1,203,980	78,380	1,282,360
Connection fees	80,459	78,250	158,709
Contributions	466,342	322,664	789,006
Interest Expenses		(51,309)	(51,309)
Total nonoperating income	<u>1,845,621</u>	<u>489,561</u>	<u>2,335,181</u>
Income (loss) before transfers	<u>1,448,869</u>	<u>349,551</u>	<u>1,798,421</u>
Transfer out	(69,500)	(30,000)	(99,500)
Change in net assets	1,379,369	319,551	1,698,921
Net assets - beginning	8,355,469	6,452,619	14,808,089
Net assets - ending	<u>\$ 9,734,838</u>	<u>\$ 6,772,171</u>	<u>\$ 16,507,009</u>

The notes to the financial statements are an integral part of this statement.

IVINS CITY, UTAH
Statement of Cash Flows
Major Proprietary Funds
Year Ended June 30, 2006

	Water Utility Fund	Storm Drain & Sewer Utility Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 1,214,047	\$ 700,430	\$ 1,914,477
Cash payments to suppliers for goods and services	(949,024)	(672,311)	(1,621,335)
Cash payments to employees for services	(323,170)	(151,547)	(474,717)
Net cash provided (used) by operating activities	<u>(58,147)</u>	<u>(123,428)</u>	<u>(181,575)</u>
Cash flows from noncapital financing activities:			
Operating transfers from (to) other funds	(69,500)	(30,000)	(99,500)
Other cash received or (payments)	-	-	-
Net cash (used) by noncapital financing activities	<u>(69,500)</u>	<u>(30,000)</u>	<u>(99,500)</u>
Cash flows from capital and related financing activities:			
Cash received from impact and connection fees	1,284,439	156,630	1,441,069
Acquisition of capital assets	(169,290)	(219,843)	(389,133)
Interest paid on capital debt	-	(63,025)	(63,025)
Principal paid on capital debt	(13,000)	(311,080)	(324,080)
Net cash (used) by capital and related activities	<u>1,102,149</u>	<u>(437,318)</u>	<u>664,831</u>
Cash flows from investing activities			
Interest received	94,840	61,576	156,416
Net cash (used) by investing activities	<u>94,840</u>	<u>61,576</u>	<u>156,416</u>
Net increase in cash and cash equivalents	<u>1,069,342</u>	<u>(529,170)</u>	<u>540,172</u>
Cash and Cash Equivalents - Beginning	<u>2,959,330</u>	<u>2,612,476</u>	<u>5,571,806</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 4,028,672</u></u>	<u><u>\$ 2,083,306</u></u>	<u><u>\$ 6,111,978</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (396,752)	\$ (140,010)	\$ (536,761)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			-
Depreciation expense	320,953	198,430	519,383
Increase decrease accounts receivable	52,726	2,027	54,753
Increase decrease in accounts payable	(36,766)	(183,312)	(220,078)
Increase decrease in compensated absences	1,692	(564)	1,128
Increase deposits payable	-	-	-
Total adjustments	<u>338,605</u>	<u>16,581</u>	<u>355,186</u>
Net cash provided (used) by operating activities	<u><u>\$ (58,147)</u></u>	<u><u>\$ (123,428)</u></u>	<u><u>\$ (181,575)</u></u>

The notes to the financial statements are an integral part of this statement.

IVINS CITY, UTAH
Statement of Fiduciary Net Assets
Agency Funds
June 30, 2006

	<u>Contractors Bonds Payable</u>	<u>Total</u>
Assets		
Current assets:		
Cash & cash equivalents	\$ 109,919	\$ 109,919
Total assets	<u>\$ 109,919</u>	<u>\$ 109,919</u>
Liabilities and Net Assets		
Liabilities :		
Due to others	109,919	109,919
Total liabilities	<u>\$ 109,919</u>	<u>\$ 109,919</u>

IVINS CITY, UTAH
Statement of Changes in Assets and Liabilities
Agency Fund
Year Ended June 30, 2006

	<u>Net Assets at June 30, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Net Assets at June 30, 2006</u>
Assets:				
Cash and investments	<u>\$ 111,855</u>	<u>\$ 74,013</u>	<u>\$ 72,077</u>	<u>\$ 109,919</u>
Liabilities:				
Due to others	<u> 111,855</u>	<u> 74,013</u>	<u> 72,077</u>	<u> 109,919</u>
Total liabilities	<u>\$ 111,855</u>	<u>\$ 74,013</u>	<u>\$ 72,077</u>	<u>\$ 109,919</u>

IVINS CITY, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of Ivins City, Utah have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

The accompanying basic financial statements present the financial position of various fund types and account groups and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2006.

A. Reporting Entity

For financial reporting purposes, Ivins City, Utah has included all funds and account groups. The City has also considered all potential component units for which it is financially accountable and that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City.

Based on the above criteria, the City has included the financial statements of the Municipal Building Authority of Ivins City, Utah. A blended component unit, although a legally separate entity, is in substance, part of the City's operations.

Blended Component Units:

Municipal Building Authority of Ivins City, Utah

The Municipal Building Authority of Ivins City, Utah (the Authority) was formally created by Articles of Incorporation signed March 17, 2005 under the laws of the State of Utah including the Utah Revised Nonprofit Corporation Act, Title 16, Chapter 6a, Utah Code Annotated 1953, as amended, and the Utah Municipal Building Authority Act, Title 17A, Chapter 3, Part 9, Utah Code Annotated 1953.

The Authority was formed for the purpose of accomplishing the public purposes for which Ivins City, Utah exists and to acquire, improve or extend one or more projects and to finance such projects on behalf of Ivins City, Utah.

The Authority is governed by a governing board which is comprised of all the members of the city council of Ivins City, Utah. Transactions of the Authority are blended into the audit report of Ivins City, Utah. No separate audit report is issued.

IVINS CITY, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C: Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Ivins City, Utah considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

IVINS CITY, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accumulates resources for the repayment of debt.

The Municipal Building Authority Fund accounts for resources used to construct municipal projects.

The government reports the following major proprietary funds:

The Water Fund accounts for the activities of the City's water distribution system.

The Storm Drain and Sewer Fund accounts for the activities of the City's sewer collection and storm drain system.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D: Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

IVINS CITY, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Buildings	40 Years
Improvements Other Than Buildings	20 Years
Equipment	5-10 Years

Compensated Absences:

For governmental funds, the amount of vested or accumulated vacation leave and comp time that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net assets and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation leave and comp time of proprietary funds are recorded as an expense and a liability of those funds as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements. In accordance with GAAP, no liability or expense/expenditure is recorded for non-vesting accumulating rights to receive sick pay benefits.

IVINS CITY, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Reconciliation of Government-Wide and Fund Financial Statements:

A. Explanation of certain differences between the governments fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. These differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital related items:

When capital assets (property, plant, & equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Construction in Progress	\$ 3,426,820
Cost of capital assets	\$ 13,476,455
Accumulated depreciation	<u>(4,260,328)</u>
Total difference	<u>\$ 12,642,947</u>

IVINS CITY, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Long-term liabilities:

Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements.

Long-Term Liabilities	\$ (4,470,112)
Total Difference	<u>\$ (4,470,112)</u>

B. Explanation of differences between governmental fund operating statements and the statement of net activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net differences, the elements of this difference are as follows:

Capital outlay	\$ 3,719,096
Depreciation expense	<u>(460,956)</u>
Net difference as reported	<u>\$ 3,258,140</u>

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of bonds and related items is as follows:

Bond proceeds	(2,500,000)
Accrued interest on bonds payable	(36,445)
Repayment of bond principal	<u>312,000</u>
Net Difference	<u>(2,224,445)</u>

Miscellaneous reconciliation items are as follows:

Contributions from developers	1,193,582
Loss on assets sold/disposed	(220,496)
Decrease in compensated absences	<u>9,048</u>
Net Difference	<u>982,134</u>

IVINS CITY, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F: Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G: Property Tax:

Washington County assesses all taxable property other than centrally-assessed property, which is assessed through the state, by May 22 of each year. The City should adopt a final tax rate prior to June 22, which is then submitted to the state for approval. Property taxes are due on November 30 of each year. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 15 of the following year, delinquent taxes and penalty bear interest of 6% above the federal discount rate from January 1 until paid.

Property taxes attach as an enforceable lien on property as they become delinquent. All unpaid taxes levied during the year become delinquent December 1 of the current year.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within sixty days after year end.

H: Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for governmental and proprietary fund types. Encumbrance accounting is not employed by the City in its governmental funds, therefore, all annual appropriations lapse at fiscal year end.

The City can make adjustments to the adopted budget through public hearings. During the fiscal year, the City made budget adjustments through public hearings the effects of which were material and are reflected in management's discussion and analysis.

IVINS CITY, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

I: Statement of Cash Flows:

For the purpose of the Statement of Cash Flows, the Water, Sewer, Electric, and Irrigation Utility Funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

NOTE 2: CASH AND INVESTMENTS

The City maintains a cash and investment pool, which includes the cash account and several investments. The City also has deposits held by the Trust Department of US Bank as fiscal agent for bonds issued. The City's deposit and investment policy is to follow the Utah Money Management Act. However, the City does not have a separate deposit or investment policy that addresses specific types of deposit and investment risks to which the City is exposed.

Utah State law requires that City funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the City and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

As of June 30, 2006, the City had the following deposits and investments:

<u>Deposit and investment type</u>	<u>Fair Value</u>
Cash on deposit and on hand	\$ 108,909
State Treasurer's investment pool	8,897,309
Cash with Fiscal Agent	6
	<u>\$ 9,006,224</u>

The following paragraphs discuss the City's exposure to various risks related to its cash management activities.

IVINS CITY, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2006

NOTE 2: CASH AND INVESTMENTS - CONTINUED

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$8,909 of the City's bank balances were uninsured or uncollateralized.

Investments. Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk of investments. The City's investment in the Utah Public Treasurer's Investment Fund has no custodial risk.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

The City is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

Following are the City's investments at June 30, 2006.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
PTIF	\$8,897,309	less than 1 year	not rated

IVINS CITY, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2006

NOTE 2: CASH AND INVESTMENTS - CONTINUED

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by solely investing in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the City's investments are noted above.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy to limit this risk is to adhere to the rules of the Money Management Council. The Council's rule 17 limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the City's portfolio at the time of purchase.

As of year end, the City had no investments other than an investment in the Utah Public Treasurer's Investment Fund.

Components of cash and investments (including interest earning deposits) at June 30, 2006, are as follows:

Cash on hand and on deposit:

Cash on deposit and on hand	\$ 108,909
Utah State Treasurer's investment pool account	8,897,309
Cash with fiscal agent	<u>6</u>
Total cash and investments	<u>\$ 9,006,224</u>

Cash and investments are included in the accompanying combined statement of net assets as follows:

Cash and cash equivalents	\$ 9,234,916
Cash in Agency funds	109,919
Negative Cash Balances	<u>(338,611)</u>
Total cash and investments	<u>\$ 9,006,224</u>

IVINS CITY, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2006

NOTE 3. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending</u> <u>Balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land & easements	\$ 1,146,964	\$ 188,672	\$ (337,801)	\$ 997,835
Construction in progress	<u> </u>	<u>3,426,820</u>	<u> </u>	<u>3,426,820</u>
Total capital assets, not being depreciated	<u>1,146,964</u>	<u>3,615,492</u>	<u>(337,801)</u>	<u>4,424,655</u>
Capital assets, being depreciated:				
Buildings	803,425			803,425
Improvements	453,561			453,561
Infrastructure assets	8,723,237	1,250,543		9,973,780
Machinery & equipment	208,185	27,516		235,701
Automobiles & trucks	618,520	393,635		1,012,155
Total capital assets, being depreciated	<u>10,806,928</u>	<u>1,671,694</u>	<u> </u>	<u>12,478,622</u>
Accumulated depreciation for:				
Buildings	222,245	24,639		246,884
Improvements	131,125	21,599		152,724
Infrastructure assets	2,854,231	330,571		3,184,802
Machinery & equipment	108,957	25,894		134,851
Automobiles & trucks	479,001	62,068		541,069
Total accumulated depreciation	<u>3,795,559</u>	<u>464,771</u>	<u> </u>	<u>4,260,330</u>
Total capital assets, being depreciated, net	<u>7,011,369</u>	<u>1,206,923</u>	<u> </u>	<u>8,218,292</u>
Governmental activities capital assets, net	<u><u>\$8,158,333</u></u>	<u><u>\$ 4,822,415</u></u>	<u><u>\$ (337,801)</u></u>	<u><u>\$ 12,642,947</u></u>

IVINS CITY, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2006

NOTE 3. CAPITAL ASSETS - CONTINUED

	<u>Beginning</u> <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending</u> <u>Balance</u>
Business type activities:				
Capital assets, not being depreciated				
Land & water rights	\$ 1,400,137	\$	\$	\$ 1,400,137
Construction in progress	63,723		(63,723)	
Total capital assets, not being depreciated	<u>1,463,860</u>		<u>(63,723)</u>	<u>1,400,137</u>
Capital assets, being depreciated:				
Buildings & structures	232,167			232,167
Improvements other than buildings	12,006,247	1,171,523		13,177,770
Machinery & equipment	207,045			207,045
Automobiles & trucks	92,901	70,336		163,237
Total capital assets, being depreciated	<u>12,538,360</u>	<u>1,241,859</u>		<u>13,780,219</u>
Accumulated depreciation for:				
Buildings & structures	54,038	5,911		59,949
Improvements other than buildings	3,240,262	484,999		3,725,261
Machinery & equipment	111,086	23,047		134,133
Automobiles & trucks	80,236	5,427		85,663
Total accumulated depreciation	<u>3,485,622</u>	<u>519,384</u>		<u>4,005,006</u>
Total capital assets, being depreciated, net	<u>9,052,738</u>	<u>722,475</u>		<u>9,775,213</u>
Business type activities capital assets, net	<u>\$10,516,598</u>	<u>\$ 722,475</u>	<u>\$ (63,723)</u>	<u>\$ 11,175,350</u>

Depreciation was charged to functions as follows:

General government	\$ 17,457
Public Safety	59,104
Highways & streets	356,852
Culture & recreation	31,356
Total	<u>\$ 464,769</u>

IVINS CITY, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2006

NOTE 4. LONG-TERM DEBT

The following is a summary of Long-Term Debt transactions of the City for the year ended June 30, 2006:

Bond Issue	Interest Rate	Total Issued	Outstanding June 30, 2005	Matured During Year	Outstanding June 30, 2006
Excise Tax Revenue Bond	5.95%	\$ 948,000	\$ 544,000	\$ 97,000	\$ 447,000
SID Bonds - Series 1999	4.9%-5.4%	479,508	222,000	51,000	171,000
Sewer Rev. Bond 1991B	5.875%	697,000	575,077	12,258	562,819
Sewer Rev. Bond 1991A	0%	567,000	203,000	29,000	174,000
SID Bonds Series 1995	4.3%-5.9%	2,110,000	265,000	265,000	
Water Rev. Bond Series 1992	0%	203,000	89,000	13,000	76,000
G.O. Refunding Bond -Series 2005	2.15%-3.5%	1,077,000	1,062,000	164,000	898,000
Lease Revenue Bonds -Series 2005	3%	2,500,000			2,500,000
Total Revenue Bonds		<u>\$8,581,508</u>	<u>\$ 2,960,077</u>	<u>\$ 631,258</u>	<u>\$ 4,828,819</u>

The following is a summary of the City's Long-Term Debt by type at year end.

General Obligation Bonds	\$ 898,000
Revenue Bonds	3,312,819
Excise Tax Bonds	447,000
Special Assessment Bonds	<u>171,000</u>
	<u>\$ 4,828,819</u>

Water and sewer bonds constitute special obligations of the City and are solely secured by a lien on and pledge of the net revenues of the water and sewer systems. The revenue bonds are collateralized by the revenue of the water and sewer funds and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the systems is to be used first to pay operating and maintenance expenses and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose.

Advanced Refunding:

During the fiscal year ending June 30, 2005, the City effected an advanced refunding of the outstanding General Obligation Bonds-Series 1996. The advanced refunding was accomplished by the issuance of \$1,077,000 of General Obligation Refunding Bonds-Series 2005 dated January 10, 2005.

IVINS CITY, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2006

NOTE 4. LONG-TERM DEBT - CONTINUED

The General Obligation Bonds-Series 2005 defeased \$1,005,000 of the outstanding General Obligation Bonds-Series 1996. The transaction is considered to be an advanced refunding in that \$1,055,880 of the proceeds of the Series 2005 refunding bonds were placed in an irrevocable escrow held by the trust department of Wells Fargo Bank in sufficient amount to pay principal and interest on the Series 1996 bonds as they mature.

The General Obligation Refunding Bonds-Series 2005 bear interest of 2.15% to 3.5% with a net interest cost of 3.0868405% and a weighted average maturity of 3.751 years. The transaction resulted in a net present value benefit of \$34,362.

In accordance with generally accepted accounting principles concerning an advanced refunding, the defeased bonds and the refunding escrow are not reported by the City as part of its financial statements.

Bonds payable at June 30, 2006, is comprised of the following individual issues:

Excise Tax Revenue Bonds - Series 2000 dated May 1, 2000 payable in installments of \$16,000 to \$31,000 bearing interest of 5.95%	\$ 447,000
Special Assessment Bonds - Series 1999 for SID 98-1 payable in installments of \$37,508 to \$60,000 bearing interest of 4.9% to 5/4%	171,000
Sewer Revenue Bond - Series 1991B payable in monthly installments of \$3,810. The bonds bear interest of 5.875%	562,819
Sewer Revenue Bond - Series 1991A payable in installments of \$29,000. The bonds do not bear interest	174,000
Water Revenue Bonds - Series 1992 payable in installments of \$6,000 to \$13,000. The bonds do not bear interest	76,000
General Obligation Refunding Bonds - Series 2005 payable in installments of \$15,000 to \$189,000 bearing interest of 2.15% to 3.5%	898,000
MBA Lease Reveune Bonds - Series 2005 Payable in annual installments bearing interest of 3%	<u>2,500,000</u>
	\$ <u>4,828,819</u>

IVINS CITY, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2006

NOTE 4. LONG-TERM DEBT - CONTINUED:

Long-Term Debt charges to maturity are as follows:

\$948,000 Excise Tax Revenue Bonds
5.95%

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Amount</u>
2007	\$ 102,000	\$ 24,350	\$ 126,350
2008	108,000	18,162	126,162
2009	115,000	11,558	126,558
2010	122,000	45,667	167,667
Total	<u>\$ 447,000</u>	<u>\$ 99,737</u>	<u>\$ 546,737</u>

\$479,508 Special Assessment Bonds - Series 1999
4.5% - 5.4%

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Amount</u>
2007	\$ 54,000	\$ 8,892	\$ 62,892
2008	57,000	6,084	63,084
2009	60,000	3,120	63,120
Total	<u>\$ 171,000</u>	<u>\$ 18,096</u>	<u>\$ 189,096</u>

\$1,077,000 General Obligation Refunding Bonds - Series 2005
2.15% - 3.5%

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Amount</u>
2007	\$ 171,000	\$ 27,046	\$ 198,046
2008	177,000	22,770	199,770
2009	178,000	17,902	195,902
2010	183,000	12,562	195,562
2011	189,000	6,616	195,616
Total	<u>\$ 898,000</u>	<u>\$ 86,896</u>	<u>\$ 984,896</u>

IVINS CITY, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2006

NOTE 4. LONG-TERM DEBT - CONTINUED:

\$697,000 Sewer Revenue Bonds - Series 1991 B
5.875%

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Amount</u>
2007	\$ 13,000	\$ 32,719	\$ 45,719
2008	13,786	31,935	45,721
2009	14,618	31,103	45,721
2010	15,500	30,220	45,720
2011	16,435	29,285	45,720
2012	17,428	28,292	45,720
2013	18,479	27,241	45,720
2014	19,595	26,125	45,720
2015	20,778	24,943	45,721
2016	22,031	23,690	45,721
2017	23,362	22,359	45,721
2018	24,771	20,949	45,720
2019	26,267	19,454	45,721
2020	27,852	17,869	45,721
2021	29,533	14,998	44,531
2022	31,315	14,405	45,720
2023	33,206	12,514	45,720
2024	35,210	10,510	45,720
2025	37,336	8,385	45,721
2026	39,588	6,130	45,718
2027	41,978	3,743	45,721
2028	40,751	1,207	41,958
Total	<u>\$ 562,819</u>	<u>\$ 438,076</u>	<u>\$ 1,000,895</u>

IVINS CITY, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2006

NOTE 4. LONG-TERM DEBT - CONTINUED:

\$567,000 Sewer Revenue Bond - Series 1991 A
0%

Year	Principal Amount	Interest Amount	Total Amount
2007	\$ 29,000	\$	\$ 29,000
2008	29,000		29,000
2009	29,000		29,000
2010	29,000		29,000
2011	29,000		29,000
2012	29,000		29,000
Total	<u>\$ 174,000</u>	<u>\$</u>	<u>\$ 174,000</u>

\$203,000 Water Revenue Bonds - Series 1992
0%

Year	Principal Amount	Interest Amount	Total Amount
2007	\$ 13,000	\$	\$ 13,000
2008	13,000		13,000
2009	13,000		13,000
2010	13,000		13,000
2011	13,000		13,000
2012	11,000		11,000
Total	<u>\$ 76,000</u>	<u>\$</u>	<u>\$ 76,000</u>

IVINS CITY, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2006

NOTE 4. LONG-TERM DEBT - CONTINUED:

\$2,500,000 MBA Lease Revenue Bonds - Series 2005

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Amount</u>
2007	\$ 69,000	\$ 75,000	\$ 144,000
2008	71,000	72,930	143,930
2009	73,000	70,800	143,800
2010	75,000	68,610	143,610
2011	77,000	66,360	143,360
2012	79,000	64,050	143,050
2013	82,000	61,680	143,680
2014	84,000	59,220	143,220
2015	87,000	56,700	143,700
2016	89,000	54,090	143,090
2017	92,000	51,420	143,420
2018	95,000	48,660	143,660
2019	98,000	45,810	143,810
2020	101,000	42,870	143,870
2021	104,000	39,840	143,840
2022	107,000	36,720	143,720
2023	110,000	33,510	143,510
2024	113,000	30,210	143,210
2025	117,000	26,820	143,820
2026	120,000	23,310	143,310
2027	124,000	19,710	143,710
2028	128,000	15,990	143,990
2029	131,000	12,150	143,150
2030	135,000	8,220	143,220
2031	139,000	4,170	143,170
Total	<u>\$2,500,000</u>	<u>\$1,088,850</u>	<u>\$ 3,588,850</u>

IVINS CITY, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2006

NOTE 5. DEFINED BENEFIT PENSION PLAN

Plan Description: Ivins City, Utah, contributes to the Local Governmental Noncontributory Retirement System which is part of the cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, Public Safety and Firefighters Retirement Systems for employers with (without) Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 So. Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy: In the Local Governmental Noncontributory Retirement System, Ivins City is required to contribute 11.09% of their annual covered salary. In the Public Safety Retirement System for employers with (without) Social Security coverage, Ivins City is required to contribute 19.34% of their annual covered salary for members in the noncontributory division. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Ivins City contributions to the Local Governmental Noncontributory Retirement System for the years ending June 30, 2006, 2005 and 2004 were \$97,020, \$76,455 and \$57,115 respectively and for the Public Safety Noncontributory Retirement System the Contributions for June 30, 2006, 2005 and 2004 were \$46,994, \$34,335 and \$19,909 respectively. The contributions were equal to the required contributions for each year.

NOTE 6: RISK MANAGEMENT

Ivins City is subject to various types of risk such as tort actions, theft, damage or destruction of assets by intent or acts of God, and job related illness or injury.

The City has procured commercial insurance coverage, which in the City's estimation, is adequate to reduce the risk of loss to a manageable level.

IVINS CITY, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2006

NOTE 7: COMPONENTS OF RESERVED FUND BALANCE

Governmental Funds:

Debt Service Fund	\$ 116,972
Debt Service - General	5
Storm Drain	119,500
Cemetery Perpetual Care	40,857
Capital Projects	531,454
Public Safety	251,492
Streets	(120,331)
Parks	299,636
Habitat	102,531
Total Governmental Funds	<u>\$ 1,342,116</u>

Enterprise Funds:

Bond Sinking And Reserve Funds:

Water Revenue Bonds	\$ 36,750
Sewer Revenue Bonds	706,993
Total Revenue Bond Sinking and Reserve Funds	<u>743,743</u>

Water Impact Fees	2,887,115
Sewer Impact Fees	1,077,635
Storm Drain Impact Fees	168,356
Total Impact Fees	<u>4,133,106</u>

Total Enterprise Funds	<u>\$ 4,876,849</u>
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NOTE 8: LITIGATION

The City is involved in some matters of pending or threatened litigation involving various matters and is in the process of negotiating settlements or is being defended by its insurance company.

None of the matters appear to have significant financial consequences.

IVINS CITY, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2006

NOTE 9. CAPITAL LEASES:

Ivins City has entered into capital lease agreements which require the following scheduled payments:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	89,037	11,866	100,903
2008	63,114	9,402	72,516
2009	65,679	6,837	72,516
2010	46,872	4,167	51,039
2011	<u>48,911</u>	<u>2,128</u>	<u>51,039</u>
Total	<u>\$313,613</u>	<u>\$ 34,400</u>	<u>\$ 348,013</u>
Governmental Funds	\$ 253,387	30,197	283,584
Enterprise Fund	<u>60,226</u>	<u>4,203</u>	<u>64,429</u>
Total	<u>\$ 313,613</u>	<u>\$ 34,400</u>	<u>\$ 348,013</u>

Capitalized leases in the enterprise funds are depreciated over the useful life of the asset (see Note 1). Depreciation on capitalized leases is included with depreciation expense in the various enterprise funds.

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

IVINS CITY, UTAH
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 565,791	\$ 565,791	\$ 565,791	\$ -
Resources (inflows):				
Property taxes	664,326	671,619	660,013	(11,606)
Sales and use taxes	603,500	656,469	639,771	(16,698)
Franchise taxes	344,975	368,436	344,508	(23,928)
Licenses and permits	366,808	468,525	452,848	(15,677)
Intergovernmental revenues	391,692	426,381	268,048	(158,333)
Charges for services	364,661	402,750	398,922	(3,828)
Fines and forfeitures	60,900	37,445	40,262	2,817
Interest earnings	60,000	90,000	112,719	22,719
Miscellaneous revenues	29,450	28,416	33,608	5,192
Operating transfers in	111,350	473,409	473,409	-
Amounts available for appropriation	<u>3,563,453</u>	<u>4,189,241</u>	<u>3,989,900</u>	<u>(199,341)</u>
Charges to appropriations (outflows):				
General government				
Administrative services	248,960	288,513	261,736	26,777
General government	103,500	120,800	107,057	13,743
Finance	81,660	50,110	46,657	3,453
Legal	180,100	154,131	137,727	16,404
Sanitation	284,170	283,900	287,064	(3,164)
Public Safety				
Animal control	90,105	79,323	68,267	11,056
E.M.S	103,113	97,718	80,453	17,265
Fire protection	215,179	305,800	243,320	62,480
Building inspection	196,867	137,341	123,601	13,740
Judicial	-	-	-	-
Law enforcement	741,966	687,497	613,583	73,914
Highways & public improvements	187,570	222,380	219,183	3,197
Parks, Recreation & Public Property				
Cemetery	43,719	44,569	35,349	9,220
Parks & recreation	293,386	685,914	292,150	393,764
Community & economic development	120,984	141,000	123,158	17,842
Operating transfers out	289,365	371,178	371,178	-
Total charges to appropriations	<u>3,180,644</u>	<u>3,670,174</u>	<u>3,010,483</u>	<u>659,691</u>
Budgetary fund balance, June 30	<u>\$ 382,809</u>	<u>\$ 519,067</u>	<u>\$ 979,417</u>	<u>\$ 460,350</u>

The notes to the financial statements are an integral part of this statement.

IVINS CITY
PUBLIC SAFETY
IMPACT FEES TRACKING

	Fiscal Year Ended June 30,				
	2001	2002	2003	2004	2005
Beginning Cash Balance	73,040	102,457	115,288	140,123	132,639
Inflows					
Impact Fees Collected	43,703	25,091	41,185	35,079	64,335
Interest Earned	5,797	3,782	3,349	2,716	5,630
Outflows					
Fire Station Expansion	(20,083)	(16,042)	(19,699)	(37,504)	(23,113)
Capital Facilities Plan				(7,775)	(17,942)
Kayenta Fire Station					(15,200)
					(7,500)
Ending Impact Balance	102,457	115,288	140,123	132,639	179,491
Ending Cash Balance	121,959	149,431	167,256	200,851	265,216
Funds To Be Reimbursed To City	19,502	34,143	27,133	68,212	85,725
					116,931

Proposed 2007 Projects
 Kayenta Fire Station \$7500
 Animal Shelter \$100,000 (not budgeted but under review and discussion)

**IVINS CITY
STREETS
IMPACT FEE TRACKING**

	Fiscal Year Ended June 30,				
	2001	2002	2003	2004	2005
Beginning Cash Balance	239,132	0	0	72,465	70,255
Inflows					
Impact Fees Collected	139,753	78,364	130,297	112,679	206,358
Interest Earned	17,535	12,352	10,689	3,144	9,002
					234,623
					22,250
Outflows					
Center Street/200 W to 200 E Improvements	(295,039)				
400 East Improvements	(128,515)				
Center Street Improvements/Upgrades	(108,747)	(576,154)	(64,021)	(71,339)	(63,801)
Pioneer Parkway Improvements	(20,084)	(129,086)			
Highway 91 Corridor Plan			(4,500)	(700)	(1,260)
Western Corridor Plan & Property Purchase				(10,000)	
Center Street Wall				(4,896)	(12,518)
Road Master Plan				(29,598)	(29,955)
Center Street Roundabout				(1,500)	
400 South Upgrades					(2,082)
Center/200 East Roundabout					(111,431)
Maintenance Building					(1,684)
Entry Sign					(12,694)
Center Street/400 West Roundabout					(213,110)
					(188,672)
					(7,126)
					(14,866)
					(129,378)
					(20,002)
Sub-Total	(155,965)	(614,524)	72,465	70,255	62,884
					(328,975)
City Contribution	155,965	614,524	0	0	0
					328,975
Ending Cash Balance	0	0	0	0	0
2007 Proposed Projects					
Center Street Wall completion \$55,000					
Road projects \$100,000					

**IVINS CITY
WATER
IMPACT FEE TRACKING**

	Fiscal Year Ended June 30,				
	2001	2002	2003	2004	2005
Beginning Cash Balance	518,471	871,742	1,065,634	1,462,431	1,972,429
Inflows					
Impact Fees Collected	272,500	153,877	385,367	653,337	538,682
Interest Earned	104,559	40,015	11,430	16,509	33,790
					1,201,730
					94,840
Outflows					
Culinary Water Master Plan	(18,468)				
Secondary Water Master Plan	(5,320)				
Regional Pipeline				(155,025)	(227,627)
Telemetry				(4,823)	
Meter Station					(6,850)
Water System Upgrades					(139,980)
GIS Mapping					(128,133)
Capital Facilities Plan					(9,019)
Ending Impact Balance	871,742	1,065,634	1,462,431	1,972,429	2,309,851
Ending Cash Balance	1,364,836	1,255,562	1,222,426	1,014,320	1,711,859
Funds To Be Reimbursed To City	493,094	189,928	(240,005)	(958,109)	(597,992)
					(243,260)

Proposed 2007 Projects

Completion of Capital Facilities Plan and Rate Study and implementation of plan - as many projects as possible will completed and/or contracts awarded in FYE 2007 in accordance with revised Capital Facilities Plan. Rate study is also under contract and rates will be revised accordingly.

**IVINS CITY
SEWER/STORM DRAIN
IMPACT FEE TRACKING**

	Fiscal Year Ended June 30,				
	2001	2002	2003	2004	2005
Beginning Cash Balance	492,210	525,696	516,523	532,161	474,856
Inflows					
Impact Fees Collected	127,628	76,654	117,141	83,706	118,855
Interest Earned	7,035	3,125	3,583	4,341	3,160
Outflows					
Sewer Upgrades/Improvements	(35,908)	(36,015)	(35,934)	(66,251)	(47,785)
Storm Drain Upgrades	(65,269)	(52,937)	(64,021)	(71,339)	(59,887)
Storm Drain Master Plan			(5,131)	(1,389)	(4,656)
Tuacahn Detention Basin Design				(4,041)	(17,047)
Sewer Master Plan				(2,332)	(4,508)
Storm Drain Collection					(173,667)
Sewer/Storm Drain Improvements					(182,141)
Ending Impact Balance	525,696	516,523	532,161	474,856	480,035
Ending Cash Balance	652,171	749,948	885,394	762,365	966,494
Funds To Be Reimbursed To City	126,475	233,425	353,233	287,509	486,459

Proposed 2007 Projects

Completion of Capital Facilities Plan and Rate Study and implementation of plan - as many projects as possible will completed and/or contracts awarded in FYE 2007 in accordance with revised Capital Facilities Plan. Rate study is also under contract and rates will be revised accordingly.

**IVINS CITY
PARKS/RECREATION
IMPACT FEE TRACKING**

	Fiscal Year Ended June 30,				
	2001	2002	2003	2004	2005
Beginning Cash Balance	263,145	244,518	151,745	202,037	270,712
Inflows					
Impact Fees Collected	112,100	73,840	115,191	96,000	452,150
Interest Earned	19,229	11,727	9,850	3,808	26,247
Outflows					
Ivins City Park Construction	(4,226)	(75,452)			
Pond Park Construction/Improvements	(48,729)	(94,839)			(2,381)
Snow Canyon Pkwy Trail Construction	(97,001)		(66,847)		
Trail Improvements					
Park Master Plan		(8,049)	(7,902)		(13,225)
Unity Park Land Purchase/Construction				(273,412)	(506,059)
Ivins Park Pavilion				(50,593)	
Park & Trails Capital Facilities Plan					(14,700)
Red Rock Park Improvements					(8,159)
Santa Clara River Reserve					(34,521)
Center/200 East Roundabout					(39,900)
					(20,002)
Ending Impact Balance	244,518	151,745	202,037	(22,160)	135,402
Ending Cash Balance	403,527	444,947	392,009	237,661	773,099
Funds To Be Reimbursed To City	159,009	293,202	189,972	259,821	637,697

Proposed 2007 Projects

Red Rock Park \$139,763
 Skate Park at UNITY Park \$200,000
 Santa Clara River Reserve \$15,000
 Park and Trail Improvements \$123,000
 Pond Park Improvements \$24,000
 Ivins Reservoir Park \$50,000

IVINS CITY
HABITAT
IMPACT FEE TRACKING

	Fiscal Year Ended June 30,				
	2001	2002	2003	2004	2005
Beginning Cash Balance	60,033	77,899	12,705	15,749	0
Inflows					
Impact Fees Collected	5,363	0	0	14,602	3,925
Interest Earned	12,503	6,174	3,044	729	2,625
					11,319
Outflows					
Conservation Property Purchase		(71,368)			
Pond Park Habitat				(102,156)	
Ending Impact Balance	<u>77,899</u>	<u>12,705</u>	<u>15,749</u>	<u>(71,076)</u>	<u>6,550</u>
City Contribution	0	0	0	71,076	0
Ending Cash Balance	<u>77,899</u>	<u>12,705</u>	<u>15,749</u>	<u>0</u>	<u>6,550</u>
Proposed 2007 Projects					
Habitat project \$50,000					57,901

**COMBINING FINANCIAL
STATEMENTS AND SCHEDULES**

IVINS CITY, UTAH
Combining Balance Sheet
Nonmajor Governmental Funds
Year Ended June 30, 2006

	Public Safety	Streets	Parks	Habitat	Storm Drain
Assets:					
Cash & cash equivalents	\$ 251,492	\$ -	\$ 299,636	\$ 102,585	\$ 119,500
Total assets	<u>\$ 251,492</u>	<u>\$ -</u>	<u>\$ 299,636</u>	<u>\$ 102,585</u>	<u>\$ 119,500</u>
Liabilities:					
Cash with negative balance	\$ -	\$ 120,331	\$ -	\$ -	\$ -
Accounts payable				54	
Total liabilities		<u>120,331</u>		<u>54</u>	
Fund balances:					
Reserved	251,492	(120,331)	299,636	102,531	119,500
Unreserved, undesignated					
Total fund balances	<u>251,492</u>	<u>(120,331)</u>	<u>299,636</u>	<u>102,531</u>	<u>119,500</u>
Total liabilities and fund balances	<u>\$ 251,492</u>	<u>\$ -</u>	<u>\$ 299,636</u>	<u>\$ 102,585</u>	<u>\$ 119,500</u>

IVINS CITY, UTAH
Combining Balance Sheet
Nonmajor Governmental Funds
Year Ended June 30, 2006

	Capital Projects	Cemetery Perpetual Care Fund	Total Nonmajor Governmental Funds
Assets:			
Cash & cash equivalents	\$ 531,454	\$ 40,857	\$ 1,345,524
Total assets	<u>\$ 531,454</u>	<u>\$ 40,857</u>	<u>\$ 1,345,524</u>
Liabilities:			
Cash with negative balance	\$ -	\$ -	\$ 120,331
Accounts payable			54
Total liabilities			<u>120,385</u>
Fund balances:			
Reserved	531,454	40,857	1,225,139
Unreserved, undesignated			-
Total fund balances	<u>531,454</u>	<u>40,857</u>	<u>1,225,139</u>
Total liabilities and fund balances	<u>\$ 531,454</u>	<u>\$ 40,857</u>	<u>\$ 1,345,524</u>

IVINS CITY, UTAH

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2006

	Public Safety	Streets	Parks	Habitat	Storm Drain
REVENUES:					
Interest earnings	\$ 13,064	\$ 22,250	\$ 26,247	\$ 11,319	\$ 12,419
Miscellaneous revenues	72,445	234,623	452,150	75,562	169,874
Total Revenues	85,509	256,873	478,397	86,881	182,293
EXPENDITURES:					
General government					
Highways & streets					
Sanitation					
Culture & recreation					
Capital outlay	22,700	340,235	53,988		
Total Expenditures	22,700	340,235	53,988		
Excess of Revenues over (under) Expenditures	62,809	(83,362)	424,409	86,881	182,293
OTHER FINANCING SOURCES (USES):					
Debt proceeds					
Operating transfers in					
Operating transfers out	(17,941)	(192,793)	(537,059)		(62,793)
Sale of fixed assets					
Total Other Financing Sources (Uses)	(17,941)	(192,793)	(537,059)		(62,793)
Excess of revenues and other sources over (under) expenditures and other uses	44,868	(276,155)	(112,650)	86,881	119,500
FUND BALANCES JULY 1	206,624	155,824	412,286	15,650	
FUND BALANCES JUNE 30	\$ 251,492	\$ (120,331)	\$ 299,636	\$ 102,531	\$ 119,500

IVINS CITY, UTAH

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2006

	Capital Projects	Cemetery Perpetual Care Fund	Total Nonmajor Governmental Funds
REVENUES:			
Interest earnings	\$ 4,333	\$ 2,038	\$ 91,669
Miscellaneous revenues		10,700	1,015,354
Total Revenues	4,333	12,738	1,107,023
EXPENDITURES:			
General government			
Highways & streets			
Sanitation			
Culture & recreation			
Capital outlay	537,945		954,867
Total Expenditures	537,945		954,867
Excess of Revenues over (under) Expenditures	(533,612)	12,738	152,156
OTHER FINANCING SOURCES (USES):			
Debt proceeds			
Operating transfers in	513,070		513,070
Operating transfers out		(11,850)	(822,436)
Sale of fixed assets			
Total Other Financing Sources (Uses)	513,070	(11,850)	(309,366)
Excess of revenues and other sources over (under) expenditures and other uses	(20,542)	888	(157,210)
FUND BALANCES JULY 1	551,996	39,969	1,382,349
FUND BALANCES JUNE 30	\$ 531,454	\$ 40,857	\$ 1,225,139

IVINS CITY, UTAH
OTHER SUPPLEMENTARY INFORMATION
June 30, 2006

WATER BOND DISCLOSURES

The Water System Revenue Bond Resolution sets forth certain covenants and restrictions. The City of Ivins is in compliance with all covenants and restrictions for the Water System Bond Requirements. Adequate funds are available in the water fund for reserve requirements.

Additional disclosures required by the Resolutions are:

	<u>Water</u>	<u>Sewer</u>
a. Number for connections within the boundaries of the City at June 30, 2006	2,475	2,416
b. Total billings for the fiscal year ended June 30, 2006	\$ 1,118,907	\$ 638,318

c. Water rates for fiscal year ended June 30, 2006 are as follows for a 3/4" meter:

Base Fee	\$18.00 per month
0 to 15, 000 gallons	\$1.04 per 1,000 gallons
15,001 to 30,000 gallons	\$1.46 per 1,000 gallons
Over 30,000 gallons	\$2.08 per 1,000 gallons

d. Monthly billing rate for sewer usage

\$23.00

e. Insurance coverage in effect at June 30, 2006:

<u>Type</u>	<u>Policy Number</u>	<u>Effective</u>	<u>Expires</u>	<u>Limits</u>
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Coverage with Utah Local Governments Insurance Trust:

General Liability	11910-GL239	12/1/1985	Continuous	\$5,000,000
Auto Liability	11910-GL239	12/1/1985	Continuous	\$5,000,000

Coverage with Unigard Insurance Group through Utah Local Governments Insurance Trust:

Automobile PD Coverage	BA900003	7/1/2005	7/1/2006	\$1,302,743
Property Coverage:				
Accidental				
Buildings	PX809764	7/1/2005	7/1/2006	\$1,945,470
Contents	PX809764	7/1/2005	7/1/2006	\$ 296,508
Contractors				
Equipment	PX809764	7/1/2005	7/1/2006	\$ 159,120
EDP	PX809764	7/1/2005	7/1/2006	\$ 90,000
Mobil Equipment	PX809764	7/1/2005	7/1/2006	\$ 245,900
Equipment in Open (Parks)	PX809764	7/1/2005	7/1/2006	\$ 129,342
Builder's Risk	PX809764	8/1/2005	7/1/2006	\$1,061,370

Coverage with Travelers Casualty and Surety Company of America

Treasurer Bond	3F901356-06	11/30/1996	Continuous	\$ 500,000
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COMPLIANCE SECTION

Wilson & Company

Certified Public Accountants / A Professional Corporation

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable City Council
Ivins City, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ivins City, Utah as of and for the year ended June 30, 2006, which collectively comprise Ivins City, Utah's basic financial statements and have issued our report thereon dated December 19, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ivins City, Utah's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Ivins City, Utah in a separate letter dated December 20, 2006.

Compliance and Other Matters

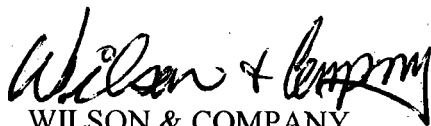
As part of obtaining reasonable assurance about whether Ivins City, Utah's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly,

Ivins City, Utah

Page 2

we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to management of Ivins City, Utah in a separate letter dated December 20, 2006.

This report is intended solely for the information and use of the management of Ivins City, Utah, and applicable federal and state funding and auditing agencies and is not intended to be and should not be used by anyone other than these specified parties.



WILSON & COMPANY

Certified Public Accountants

Cedar City, Utah

December 19, 2006

Wilson & Company

Certified Public Accountants / A Professional Corporation

IVINS CITY, UTAH AUDITOR'S REPORT ON COMPLIANCE WITH STATE FISCAL LAWS For the Year Ended June 30, 2006

The Honorable City Council
Ivins City, Utah

We have audited the general purpose financial statements of Ivins City, Utah, for the year ended June 30, 2006 and have issued our report thereon dated December 19, 2006. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the Compliance manual for Audits of Local Governments in Utah including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation
Liquor Law Enforcement
Other Compliance Requirements

B&C Road Funds
Impact Fees
Uniform Building Code Standards

The management of Ivins City, Utah, is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis evidence about the City's compliance with the requirements. We believe that our audit provides a reasonable basis for our opinion.

Ivins City, Utah
Page 2

The results of our audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Ivins City, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of service allowed and unallowed; eligibility; matching, level of effort, or earmarking; reporting, and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.


WILSON & COMPANY
Certified Public Accountants

Cedar City, Utah
December 19, 2006



Ivins City
55 N. Main St.
Ivins, Ut. 84738
(435) 628-0606
www.ivins.com

Mayor

Daren Barney

City Manager

Judy Gubler

City Attorney

Dale Coulam

City Council

Carol Tenczar

Barbara Rusick

George E. Elwell Jr.

Michael Foot

Steve Jolley

January 3, 2007

Wilson and Company
Scott Wilson
360 West 200 North
Cedar City, UT 84720

**RESPONSE TO MANAGEMENT LETTER, ANNUAL AUDIT FYE
6/30/2006**

The following is intended to outline proposed corrective action for each of the items brought to the attention of Ivins City in the Management Letter prepared as part of the audit for fiscal year ending June 30, 2006.

Combined PTIF General Ledger Accounts

I have directed our Director of Finance to establish separate general ledgers accounts for PTIF accounts #0290 and #2313 and maintain separate general ledger accounts for each PTIF account.

Combined Storm Drain and Sewer Fund

The operations of each of these funds have been separated and that separation is reflected in the budget for fiscal year ending June 30, 2007 that has a separate Sewer (52) Fund and Storm Drain (53) Fund.

Recording of Bond Principal

I have directed our Director of Finance to record the bond principal in the enterprise fund as a reduction of the liability for outstanding bonds rather than as an expense.

Wells Fargo 1994-1 and 1998-1 Assessment Bank Accounts and MBA

Checking

These accounts have been maintained to facilitate the clear segregation of these funds. I will recommend to our Treasurer and Director of Finance that the assessments and transactions be tracked through the general ledger and the bank accounts be closed.

Wells Fargo Sweep Account

I will direct our Treasurer to maximize the interest earnings of the City by maintaining minimal amounts in the checking account and maximum amounts in the PTIF account to maximize interest earned. Since approximately April of 2006 interest earnings have been better achieved in this manner as recommended in your management letter for the audit for fiscal year ending 6/30/05.

Expenditures in Excess of Budget

I will work with all departments in the City to assure that general fund expenditures do not exceed the adopted budget. I will closely monitor the budget

versus actual expenditures and recommend appropriate adjustments to the City Council.

Operating Losses in the Enterprise Funds

Part of the operating loss includes the bond payment for the Regional Pipeline that was constructed to deliver water to Ivins City and this bond payment is paid for with impact fees in compliance with the Capital Facilities Plan and Impact Fee Analysis. We are currently under contract to review and revise the Capital Facilities Plans for water, sewer, storm drain, and secondary water. We will revise not only impact fees, but user fees also, to assure that all enterprise funds are operating with sufficient operating revenues.

Negative Fund Balances

I have directed our Director of Finance to make appropriate operating transfers to eliminate the negative fund balances. A transfer was made from the Parks Impact Fee fund to the General Fund that was intended to be transferred to the MBA, but the transfer from the General Fund to the MBA was completed. This error and a budgeted grant that was not received until July 2006 resulted in a negative fund balance in the MBA and an increase in the General Fund Balance. This will be corrected.

Cash Management

I have directed our Director of Finance to request monthly trust reports from US Bank to facilitate the timely recording of trust account transactions and the tying out of the trust balance at year end. I have also asked our Director of Finance to research and resolve all outstanding checks older than six months.

Water Bond Reserves and SID 1994 Guarantee Fund

I have directed our Director of Finance to request our Treasurer to set up separate PTIF accounts for the water bond reserve and the SID 1994 guarantee fund and transfer cash from the combined general PTIF account to fund the new PTIF accounts.

Combined Cash

I have directed our Director of Finance to set up general ledger accounts within the General Fund and Water Enterprise Fund to account for Returned Check Clearing and Utility Cash Clearing and account for only combined cash accounts in cash to be allocated.

Municipal Building Authority Lease Revenue Bond Reserve Account

I have directed our Director of Finance to work with our Treasurer to establish a PTIF account for the MBA Lease Revenue Bond Reserve Account. \$13,670 will immediately be deposited and subsequent yearly payments made on April 1 until the account is fully funded at \$82,000.

General Fund Balance

In error a transfer of \$362,059 was made from the Parks Impact Fee fund to the General Fund that was intended to be transferred to the MBA, but the transfer from the General Fund to the MBA was not completed. This error resulted in a

negative fund balance in the MBA and an increase in the General Fund Balance. While this error added to the excess General Fund balance, steps will be taken to bring the fund balance into compliance with the required maximum 18% of estimated revenue of the General Fund by transferring sufficient amounts to other funds.

Impact Fees

I have directed our Director of Finance to transfer cash from or to the Impact Fee PTIF accounts to accurately reflect the disbursement or collection of impact fees. We will carefully monitor the collection and use of impact fees and maintain a current schedule of all impact fee activity.

Fixed Asset Accounting

I have directed the Director of Finance to reconcile the fixed asset management system with the general ledger regularly and to stay current with the fixed asset activity during the year. I will also work with the Public Works Director to encourage better communication and coordination with the Director of Finance regarding fixed asset activity in the Public Works Department.

Depreciation Reports

I have directed the Director of Finance to work with Caselle to correct the depreciation for the streets acquired prior to 06/30/2002.

Budget Categories on Internal Reports

I have discussed the need to have internal reports reflect the budget categories used with our Director of Finance. It is my understanding the payroll benefits are properly allocated to the budget categories but we are confirming that. We will work toward having the depreciation reports and all internal reports match established budget categories.

Thank you for your excellent audit and your constructive comments. I appreciate your thorough audit and will work diligently toward total compliance with all requirements and suggestions.

Sincerely,



Judy Gubler
City Manager

Wilson & Company

Certified Public Accountants / A Professional Corporation

December 20, 2006

Honorable Mayor and City Council
Ivins City, Utah

We have examined the financial statements of Ivins City for the year ended June 30, 2006, and have issued our report thereon dated December 19, 2006. As part of our examination, we made a study and evaluation of the City's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the City's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of Ivins City is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related cost of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation was made for the limited purpose described in the first paragraph and would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Ivins City taken as a whole. However, our study and evaluation disclosed the following conditions that we believe require the City's further attention.

Combined PTIF General ledger Accounts

We noted in our exam that PTIF accounts #0290 and #2313 are still combined into one general ledger account.

We suggest that for monitoring purposes, each PTIF account should correspond with its own general ledger account.

Combined Storm Drain and Sewer Fund

We noted that the Storm Drain and Sewer Funds were still combined during the year.

We suggest that the funds be separated for reporting purposes in order to insure that the City can correctly monitor the operations of both funds.

Recording of Bond Principal

We noted during the exam that the City again recorded the payment of bond principal in the expenses of the enterprise funds.

Bond principal paid in an enterprise fund should be recorded as a reduction of the liability for outstanding bonds instead of as an expense.

Wells Fargo 1994-1 and 1998-1 Assessment Bank Accounts and MBA Checking

We noted that the City maintains two accounts at Wells Fargo for the 1994-1 and 1998-1 assessments and an MBA checking account.

We suggest that the City close these accounts and deposit all assessments received into the general cash account. The assessments are tracked through the general ledger as are all MBA transactions and eliminating these accounts would reduce the administrative time needed to monitor and reconcile the accounts.

Wells Fargo Sweep Account

We again noted during our exam that the sweep account arrangement involved a significant amount of cash and that the rate earned is less than the PTIF rate.

We suggest that the City analyze the benefit of having the sweep arrangement. Significant funds, were transferred to the sweep account but the rate earned by the sweep account is less than that earned in the PTIF account. We believe the City should have a minimal amount in the checking account and the excess should be maintained in the PTIF account to maximize interest.

Expenditures in Excess of Budget

We noted during our exam that expenditures in the sanitation category of the general fund exceeded the adopted budget.

We suggest that the City closely monitor budget versus actual expenditures to insure that expenditures do not exceed the budget. If adjustments are required, the City may open the budget before year end and make needed adjustments as allowed by the law.

Operating Losses in the Enterprise Funds

We again noted during our exam that the Water Fund and the Storm Drain and Sewer Fund both had significant operating losses of \$396,752 and \$140,010 respectively.

We suggest that the City must immediately analyze the operations of these funds and make changes to eliminate the operating losses. It was noted that these funds had operating losses in previous years also. Continual losses will erode the integrity of the funds and reduce the ability of the City to maintain and replace assets. The elimination of losses may require a rate change, reduction of expenses, or both.

Negative Fund Balances

Our exam revealed that the Street Impact Fee Fund and the Municipal Building Authority Fund both have negative balances in violation of State law.

Since negative fund balances are illegal according to state code, the City must take steps to eliminate these negative fund balances by operating transfers most likely from the general fund.

Cash Management

We noted in our exam that there was no reconciliation on a monthly basis of the returned check clearing account and that trust reports from US Bank were sent to the City on a May to August basis making it difficult to record transactions in these accounts. We also noted some very old outstanding checks on the bank reconciliation.

We suggest that the returned check clearing account be reconciled on a monthly basis and that US Bank be instructed to send trust reports monthly to facilitate the timely recording of trust account transactions and the tying out of the trust balance at year end. In addition, all outstanding checks beyond six months old should be researched and resolved and if necessary voided and removed from the outstanding check list.

Water Bond Reserves and SID 1994 Guarantee Fund

We noted during our exam that the City does not have specific cash accounts for the water bond reserve and the SID 1994 guarantee fund. Instead, these funds are included in the general combined PTIF account.

We suggest that separate PTIF accounts be set up in the applicable fund and that cash be transferred from the combined general PTIF account to fund these new PTIF accounts.

Combined Cash

During our exam we noted that Returned Check Clearing, and Utility Cash Clearing are included in the combined cash section.

Since these accounts are fund specific, we suggest that they be transferred to general ledger accounts set up within the general fund for Returned Check Clearing and the water utility fund for Utility Cash Clearing. Only combined cash accounts should remain in cash to be allocated.

Municipal Building Authority Lease Revenue Bond Reserve Account

A exam of the bond documents of the \$2,500,000 Municipal Building Authority Lease Revenue Bonds Series 2005 revealed that the City is required to establish a reserve account funded by deposits of \$13,670 beginning April 1, 2006 until the fund reaches a balance of \$82,000. We noted that no account was established and no deposit made.

The City should immediately establish a separate PTIF account for the reserve fund and deposit the \$13,670 which was due April 1, 2006. The City should then make the required subsequent deposits each April as required by the bond covenants.

General Fund Balance

We noted during the exam that the unreserved fund balance in the General Fund exceeds the limit allowed by Utah Code 10-6-116(2) which limits the balance to 18% of the estimated revenue of the general fund.

The City must take immediate steps to bring the fund balance in the General Fund into compliance with the law by expending part of the balance or by transferring sufficient amounts to another fund such as a specific capital project fund.

Impact Fees

We noted during our exam that the City had not transferred out, and in some cases not transferred in, cash from or to the impact fee PTIF accounts to reflect the disbursement or collection of impact fees.

We suggest that the City become familiar with *Utah Code Sections* 10-5-129, 10-6-150, 17-36-37, and 17A-1-4 which were modified by the 2006 Utah Legislature to require significantly more reporting by the City with regards to its collection and use of impact fees. The City is now required to prepare a schedule to be included in the annual audit report which details the impact fees by year collected, the capital project for which the funds are budgeted, and the projected schedule for expenditure. The City is collecting significant impact fees and must be careful to insure that the impact fees are spent within six years of collection as required by the law.

Fixed Asset Accounting

We noted during our audit that additional time was required by the City at year end to prepare the City's detailed fixed asset reports. We further noted that the fixed asset activity for the year was not reflected in the City's accounting records. We further noted that fixed asset activity in the Public Works Department for the year was not coordinated with the City's accounting department.

We recommend that the City closely coordinate fixed asset activity during the year with the Public Works Department. This coordination should include projects in process and completed during the year and the completion date of these various projects. These projects then can be added to the City's fixed asset accounting records as required throughout the year as projects are completed. Further, we recommend that the City record all fixed asset activity in the accounting records of the City.

Depreciation Reports

We noted during our audit that prior depreciation for the streets acquired prior to 06/30/2002 (asset number 30018) was not properly reflected on the depreciation schedule.

We recommend that the City work with Caselle software to correct this situation.

Budget Categories on Internal Reports

We noted during our audit that various internal reports refer to the general category of "Public Works". This was the case in payroll benefits and depreciation reports.

We recommend that this situation be reviewed so that the departments referenced in the City's internal reports reflect the budget categories used by the City.

The above conditions were considered in determining the nature, timing, and extent of the audit tests applied in our examination of the City's June 30, 2006, financial statements.

Our comments are intended to be constructive in nature. The absence of positive or complimentary comments does not imply that the City operates in an inefficient or ineffective manner. We welcome the opportunity to discuss these conditions in further detail and express our appreciation to the staff for their assistance during the examination.

This report is intended solely for the use of management and the Utah State Auditor and should not be used for any other purpose.

Sincerely,



WILSON & COMPANY
Certified Public Accountants
Cedar City, Utah